

**FILED**  
DISTRICT COURT OF GUAM  
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MARY L. M. MORAN  
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## ARRIOLA, COWAN &amp; ARRIOLA, HAGATNA, GUAM 96910

) CIVIL CASE NO. 03-00013

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DECLARATION OF KARLA KEHRES IN  
SUPPORT OF PLAINTIFFS' FIRST  
AMENDED VERIFIED COMPLAINT  
AND PLAINTIFFS' SECOND MOTION  
FOR TEMPORARY RESTRAINING  
ORDER, SEIZURE ORDER, ORDER TO  
SHOW CAUSE FOR PRELIMINARY  
INJUNCTION, AND ORDER  
ACCELERATING DISCOVERY

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**KARLA KEHRES**, being duly sworn, declares and states as follows:

1. I am the General Manager of Chanel (Guam), Inc. The primary offices for Chanel (Guam), Inc. ("Chanel") on Guam are located at the Tumon Sands Plaza, San Vitores Road, Tumon, Guam. I have been employed by Chanel for ten years and make this declaration in support of Plaintiffs' Verified Complaint and Plaintiffs' Second Motion for Temporary Restraining Order, Seizure Order, Order to Show Cause for Preliminary Injunction, Order Sealing File and Order Accelerating Discovery. I have personal knowledge of the facts contained herein. If called as a witness I could testify as to the facts contained herein.

2. Chanel has its principal place of business in Paris, France. Chanel merchandise is manufactured in France and Italy. Chanel has been an independent company beginning with the forming of "Les Parfums Chanel" in 1924. It is a prestigious firm who has always been acknowledged as a Number One Fashion House providing the utmost luxury, originality and quality to its customers through its products. The products of Chanel are renowned for their unique craftsmanship and the highest standards of quality. Chanel produces a variety of products including: women's clothing; handbags; luggage; small leather goods such as wallets, agendas, keycases, cigarette cases, coin holders, and cosmetic purses; watches, fine jewelry and costume jewelry including earrings, brooches, necklaces, bracelets, rings, and anklets; fragrances and beauty products such as skin care and cosmetics; shoes; scarves; ties; sunglasses; hats and gloves. Chanel currently does not produce a line of "t-shirts,".

3. As General Manager, I am responsible for training over 50 employees who work at the Chanel boutiques located at the Tumon Sands Plaza, Tumon Bay Duty Free Shoppers Galleria, and Saipan Duty Free Shoppers. This training of employees includes identification of all genuine

Chanel merchandise, production, and materials. Since entering the company until the present, I have been trained to identify thousands of genuine "Chanel" products. I have received extensive training on the job in Guam and in Paris in the identification of genuine Chanel merchandise including training on raw materials, production and manufacturing, as well as quality assurance at the Chanel factories. I also provided training to customs law enforcement officers on Guam for the detection of counterfeit Chanel merchandise. This included training on the packaging standards used by Chanel, as well as the merchandise description, identification and production standards. This also included training law enforcement on the identification of workmanship and materials used in genuine and counterfeit Chanel merchandise. I have researched and investigated many cases of Chanel counterfeit merchandise. I am familiar with genuine Chanel merchandise.

4. During my employment at Chanel, I have therefore come to be very familiar with the design of the products of the "Chanel" line including without limitation, "Chanel" bags, wallets, briefcases, keycases, belts, and leather and leather-trimmed accessories, as well as jewelry items and accessories, such as bracelets and earrings. I am also very familiar with the "Chanel" trademarks, which have become widely known and recognized throughout the world.

5. I have examined certain items bearing the Chanel name, design or logo provided to me by attorney Anita P. Arriola. They are an earring and necklace set and a pair of sunglasses. I am informed that all items were purchased at Fashion City at the Dededo Mall.

6. A true and correct copy of a photograph of the earring and necklace set is attached hereto as Exhibit 1. I have examined the earring and necklace set marked with the \_\_\_\_\_ logo and based upon my training, knowledge and experience, in my opinion it is a counterfeit product not manufactured on behalf of Chanel for the following reasons:

a. Chanel has the same design and style, but the quality of the counterfeit items is inferior. The interlocking \_\_\_\_\_ design has a gap in the counterfeit item as if it does not connect, while in the genuine item, it is more of a fluid interlocking \_\_\_\_.

All of the hardware components, crystals, weight and quality of the earrings and necklace are very inferior. Also, on most genuine Chanel costume jewelry there is an identifying stamp or impression on the reverse side of the jewelry, which is not present in the counterfeit items. All Chanel costume jewelry is packaged in Chanel packaging, with a certificate of authenticity, a guarantee and care instruction. None of these are present with the counterfeit items.

7. Attached hereto as Exhibit 2 is a true and correct copy of a photograph of the pair of sunglasses. I have examined the sunglasses marked with the Chanel name or trademark and based upon my training, knowledge and experience, in my opinion it is a counterfeit product not manufactured on behalf of Chanel for the following reasons:

a. The inside of the counterfeit sunglasses does not have the registered Chanel logo and copyright and trademark wording. All genuine Chanel sunglasses have a serial number and reference number identifying the style; the number and name on the counterfeit sunglasses do not identify with the Chanel manufacturer. The hinges and workmanship (such as the glue on the arm of the sunglasses) on the counterfeit item is inferior. As with the costume jewelry above, the packaging of the sunglasses is incorrect; usually the sunglasses have a protective case and are not packaged in a plastic bag.

8. On information and belief, all of above-mentioned merchandise were purchased from Fashion City at Dededo Mall. In addition, on information and belief, there may be other vendors at Dededo Mall who may be selling counterfeit Chanel products. These vendors are not authorized dealers of Chanel products on Guam.

9. All of the items depicted in Exhibits 1 and 2 prominently display counterfeit copies of the Chanel name, trademark and logo. The trademarks are identical or substantially similar to those used on genuine Chanel products. However, the quality of these counterfeit products is inferior to the quality of genuine Chanel goods.

10. Chanel vigorously pursues counterfeit goods as soon as it discovers them and has instituted suit where necessary to bring a prompt end to these unlawful and deceptive practices. The unauthorized manufacture, distribution, exportation, importation, and sale of counterfeit Chanel merchandise causes confusion and deceives the consuming public as to the true source of such merchandise. Because the counterfeit items bear copies of Chanel's name, logo and trademark, I believe that customers would purchase the items in the belief that they are genuine products of Chanel, which they are not.

11. Defendants' actions will cause substantial and irreparable damage and injury to Chanel and, in particular, to the valuable goodwill and reputation symbolized by the Chanel trademarks. Unless the court enjoins defendants, they will continue to cause Chanel substantial and irreparable damage and injury. Further, defendants' manufacture, distribution, exportation, importation and sale of counterfeit or infringing Chanel merchandise will cause substantial injury to Chanel's reputation and cause substantial sales of Chanel's authentic products to be lost or diverted to defendants, in an amount impossible to calculate with any certainty at the present time.

12. Based on my training and experience, I am aware that it is a common practice of individuals and businesses involved in the trafficking of counterfeit merchandise to maintain and keep the following types of documentary evidence and other items in their place of business:

- A) Books, records, receipts, notes, ledgers, correspondence and other papers related to the importation and trafficking of goods containing counterfeit marks.
- B) Records, books, and papers reflecting names, addresses, telephone numbers, and other contact and identification data relating to the importation of and trafficking in goods containing counterfeit marks, including records such as telephone and address listings of suppliers and customers.
- C) Cash and currency that can be directly traced as proceeds of the sale of items containing counterfeit marks.
- D) Records relating to or reflecting income, expenditures, and wealth obtained through trafficking in goods containing counterfeit marks, including without limitation, money orders, wire transfers, cashier's check receipts, bank statements, passbooks, checkbooks, and check registers.
- E) Items of personal property or documents which tend to identify the person(s) using, occupying, controlling, or owning the premises, including but not limited to electronic or digital records, personal computer, hard disk drives, diskettes, CD-Roms, opened mail, leases, rental agreements, photographs, telephone books, diaries, utility and telephone bills, statements, identification documents, and keys.

13. All of the foregoing documents are necessary, important, and material in determining the extent of the defendants' sales of counterfeit Chanel products, as well as in determining the suppliers, manufacturers, exporters, importers and other retailers of counterfeit Chanel products.

I declare under penalty of perjury under the laws of the United States and the laws of Guam  
that the foregoing is true and correct.

Dated: May 30, 2003

  
KARLA KEHRES

ARRIOLA, COWAN & ARRIOLA, HAGATNA, GUAM 96910



